


DOFASCO



DOMINION FOUNDRIES AND STEEL, LIMITED
ANNUAL REPORT
1969



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postale 460, Hamilton, Ontario.*

JEAN G. CORMIER

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INFORMATION SUPERVISOR
DOMINION FOUNDRIES AND STEEL, LIMITED
HAMILTON, ONTARIO

HIGHLIGHTS

	<u>1969</u>	<u>1968</u>	<u>Increase (Decrease)</u>
Production of ingots and castings— net tons*	2,279	2,180	5%
Sales*	\$ 332,610	\$ 280,128	19%
Net income*	\$ 41,991	\$ 38,374	9%
Net income—per common share	\$ 2.64	\$ 2.41	
Net income—percent of sales	12.6%	13.7%	
Net income—percent of average shareholders' equity	16.1%	16.5%	
Dividends declared—total*	\$ 13,457	\$ 11,931	13%
Dividends declared—per common share	\$.80	\$.70	14%
—per preferred share	\$ 4.75	\$ 4.75	—
Capital expenditures—manufacturing*	\$ 43,016	\$ 18,449	133%
Expenditures on mining properties*	\$ 2,915	\$ 3,499	(17)%
Depreciation*	\$ 26,387	\$ 24,570	7%
Average number of employees	8,600	7,800	10%
Number of common shareholders	20,183	20,444	(1)%

*In thousands.

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The Annual General Meeting of Shareholders will be held at the offices of the Company in Hamilton, Ontario, on Friday, April 24, 1970 at 12:00 o'clock noon.

DOMINION FOUNDRIES AND STEEL, LIMITED

DIRECTORS AND EXECUTIVE OFFICERS

HONORARY DIRECTOR

FREDERICK W. SHERMAN
Loudonville, N.Y.

DIRECTORS

HARRY N. BAWDEN
Director, Dominion Securities
Corporation Limited, Toronto

GEORGE H. BLUMENAUER
Chairman and President, Otis Elevator
Company Limited, Hamilton

R. ROSS CRAIG
Executive Vice President—Commercial

DANIEL F. HASSEL
Vice President—Industrial Relations

WILLIAM C. HASSEL
Vice President—Works Manager

HOWARD J. LANG
Chairman and President,
Canron Limited, Montreal

JOHN D. LEITCH
President, Upper Lakes
Shipping Limited, Toronto

JAMES L. LEWTAS, Q.C.
Partner, Campbell,
Godfrey & Lewtas, Toronto

BRUCE A. NORRIS
Chairman and President,
Norris Grain Company, Chicago

W. HAROLD REA
Chairman, Great Canadian
Oil Sands Limited, Toronto

JOHN G. SHEPPARD
Executive Vice President—Financial

FRANK H. SHERMAN
President and Chief Executive Officer

EXECUTIVE OFFICERS

FRANK H. SHERMAN
President and Chief Executive Officer

R. ROSS CRAIG
Executive Vice President—Commercial

JOHN G. SHEPPARD
Executive Vice President—Financial

DANIEL F. HASSEL
Vice President—Industrial Relations

DAVID O. DAVIS
Vice President—Engineering

DAVID A. LINDSEY
Vice President—Raw Materials,
Purchases and Traffic

WILLIAM C. HASSEL
Vice President—Works Manager

F. JOHN MCMULKIN
Vice President—Research

WILLIAM J. STEWART
Vice President—Product
Quality and Electrical Steels

RICHARD G. STORMS
Vice President—
Manufacturing Controls

JACK PLUMPTON
Comptroller

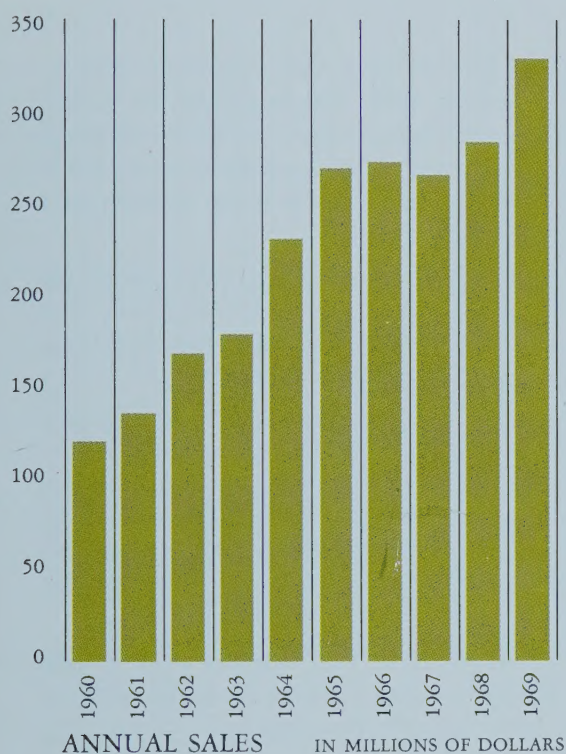
THOMAS VAN ZUIDEN
Treasurer

DOROTHY M. CAULEY
Secretary

ALAN D. LAING
Assistant Comptroller

H. GRAHAM WILSON
Assistant Secretary

DIRECTORS' REPORT



FINANCIAL REVIEW

Record sales and net income resulted from strong demand for all lines in the Company's range of flat-rolled products. Increased activity at National Steel Car and in the foundry also contributed to these improved results. This demand continued throughout the year, with increased pressure in the latter half because of labour difficulties in the Canadian steel industry.

Net income of \$41,991,000 represents \$2.64 per common share and compares with \$38,374,000 and \$2.41 the previous year. Sales reached a new high of \$332,610,000, a 19 per cent increase in the year and nearly triple the sales of ten years ago.

A much heavier burden of taxes reduced a 28 per cent gain in 1969 pre-tax income to a 9.4 per cent rise in net income. The 1969 effective rate of income tax was considerably higher than in 1968 as the three-year tax exempt period for Wabush Mines expired early in 1969.

Wages and salaries in the steelmaking operations were increased on August 1st in line with the general pattern of wage increases in Canada. Raw material and service costs including coal, tin, and hydro were higher than the previous year.

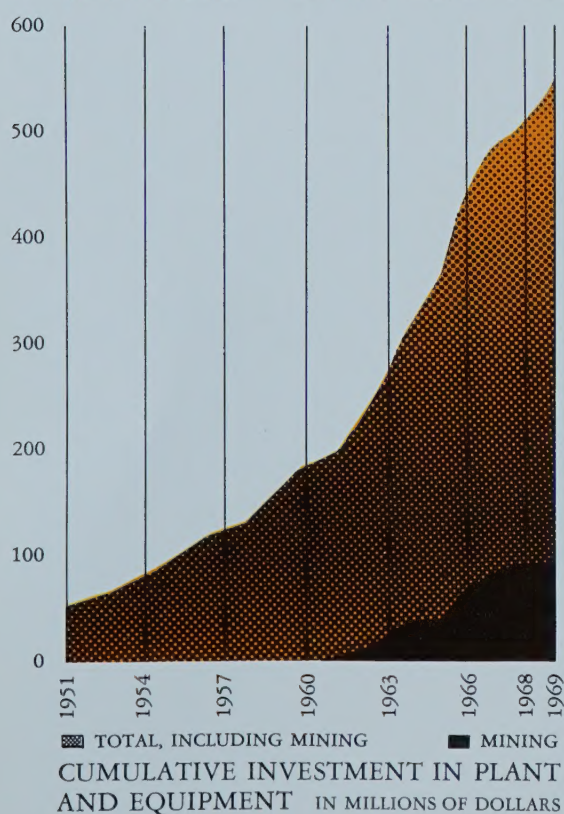
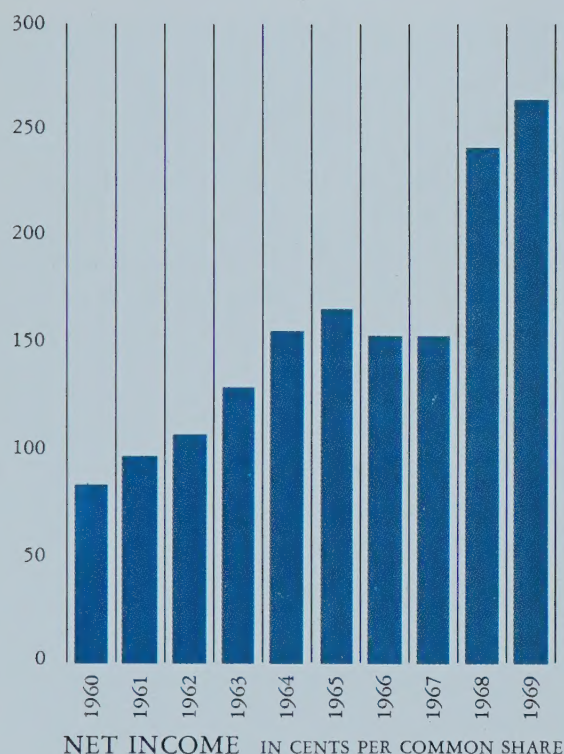
Working capital was reduced \$8,118,000 largely due to expenditures on new facilities and equipment and continued reductions in long term debt. Details of these and other changes are set out on page 17.

Changes in the long term debt structure of the Company included the repayment of the 6½ per cent long term bank loan of \$13,453,000 which matured in 1969. Also retired were the 4½ per cent debentures maturing in 1969 in the principal amount of \$2,519,000. A further \$1,747,000 in other outstanding debentures was purchased for cancellation. New long term obligations were incurred with the issue of \$10,800,000 in notes payable at 9 per cent.

The revolving bank credit arrangement whereby the Company has available on call \$35,000,000 U.S. funds until December 31, 1976, while unused in 1969, likely will be partially used in 1970.

Changes in share capital resulted from the issue of 28,972 common shares under the Company stock option plan (\$524,000) and the purchase for cancellation of 900 preferred shares.

Dividends declared per common share in 1969 were at the rate of 80 cents compared to 70 cents the previous year. This rate increase raised the amount of common dividends declared by \$1,564,000 to \$12,371,000 in 1969. Preferred dividends declared in 1969 totaled \$1,086,000 based on the rate of \$4.75 per preferred share.



CAPITAL EXPENDITURES

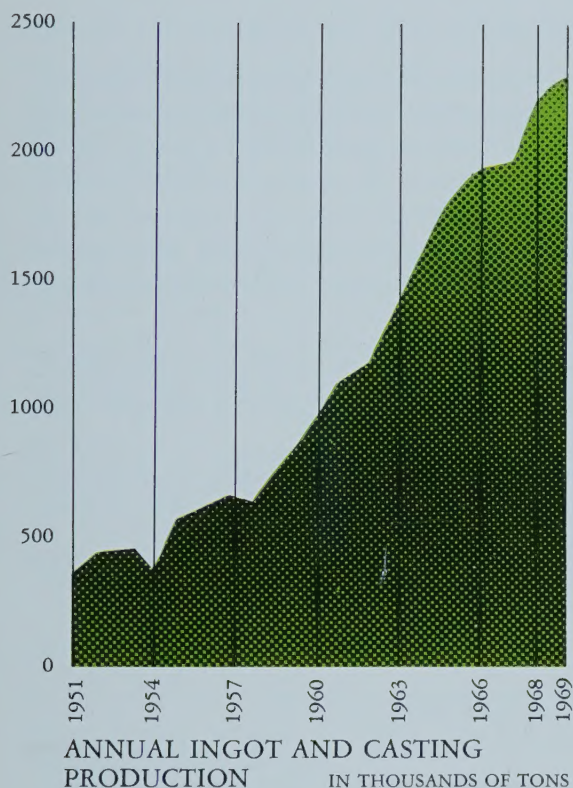
Expenditures for manufacturing facilities and land in 1969 totalled \$43 million, more than double the \$18 million spent in 1968. This expansion was slowed considerably during the year as labour problems in various building trades held construction virtually to a standstill, and will delay completion of the major projects for six to eight months. Expenditures on iron ore projects were \$2.5 million.

Land acquisitions for long range development were an important part of the capital expansion programme in 1969. The purchase of 5,200 acres of land west of Port Burwell on the Lake Erie shore is part of the Company's future planning for a fully integrated steel mill in this area in fifteen to twenty years.

The policy of expanding in the Hamilton area as long as suitable parcels of land are available resulted in the purchase of 110 acres of land immediately west of our present bay front operation. This land acquired from Canadian Industries Limited, because of its size and location, will permit us to more than double our ingot capacity in Hamilton. Associated with this purchase was the sale of 200 acres of land in Saltfleet Township, immediately east of the City of Hamilton limits.

New plant facilities and equipment completed in 1969 included: a 48" slitting line for electrical steel; a 15-bay storage building for sheet products; additions and improvements in research facilities; more mould storage facilities; and other auxiliary equipment in the finishing departments.

Expenditures on projects now under way are estimated to be \$80 million in 1970. The Company's fourth blast furnace, when complete in 1971, will increase iron-making capacity by at least 50 per cent. Construction continues on the hot slabbing mill, planned for completion in 1971. This new mill together with six new soaking pits and a downcoiler, will add 20 per cent to the hot mill capacity. Steelmaking capacity will increase by at least 25 per cent in 1971 when the new steelmaking pouring floor and materials handling system are completed.



PRODUCTION AND RAW MATERIALS

Capacity operations throughout the entire year resulted in an increase of 4.5 per cent in ingot production to a new record of 2,278,564 net tons.

Our total yearly iron ore requirements approximate 2,400,000 gross tons. Close to 1,000,000 gross tons of this material is supplied through daily unit car shipments of pelletized ore from the Sherman Mine in Northern Ontario.

Wabush Mines, our other principal source of iron ore, was closed for four months in 1969 because of strikes in the mining industry in Northern Quebec and Labrador. This shutdown necessitated greater purchases of ore from outside suppliers and this additional cost is reflected in the 1969 results.

ENVIRONMENTAL CONTROL

The Company reaffirmed its position of concern through the pollution abatement projects initiated during 1969.

Dofasco is committed to a six-year pollution abatement programme estimated to cost \$28 million. These expenditures will be in addition to the \$14 million which has been spent over the last decade. When complete, the new programme will eliminate practically all of the pollution problems created by Dofasco's steelmaking processes.

Major projects will include a \$5 million hydrochloric acid recovery plant. A \$3 million deep bed filtration system for the removal of impurities from hot mill water is scheduled for completion in late 1971. Orders have been placed for a Larry Car Scrubber System as part of our emission control programme during the coke oven loading operation.

The projected \$28 million expenditure is divided into several phases and more than half of the expenditures are expected in the first two years. While phase one is under construction, research will continue to determine the best methods of solving later phases since there are no proven technical solutions at the moment to some of the problems involved. We have every confidence that solutions will be found in the near future.

RESEARCH

Major renovations and expansion of Dofasco's research facilities were completed in 1969. To complement present metallographic scanning equipment, additional facilities have been acquired for rapid chemical analysis using a computerized fluorescent x-ray technique. The new equipment will improve process and quality control in the iron and steelmaking processes.

The long standing pollution control research fellowship with the Ontario Research Foundation has been extended to cover all aspects of environmental control.

Pilot plant testing has been completed on a method for the recovery of waste iron oxides. This process has been tested in a 125-ton-a-day unit and final engineering is now close to completion.

Studies of surface coatings for our flat-rolled products were expanded and promising results have been achieved in providing coatings suitable for forming operations while providing a satisfactory base for painting.

Work is proceeding on the development of improved formability and fatigue characteristics of flat-rolled steel used in the automotive industry.

PUBLIC AND EMPLOYEE RELATIONS

The Company realizes the necessity of continually improving communications both with its employees and the general public. In keeping with this policy, Dofasco intends to initiate an employees' newspaper in early 1970. The newspaper will be produced in addition to the Dofasco Illustrated News and will be written for and about Dofasco employees. It is felt that this publication will promote better communications and understanding among our employees.

In 1970, we will continue our advertising programme, stressing the importance of the employees' role in the Company's operations.

In January of 1970, Dofasco employees were invited to participate in an anti-pollution suggestion system. Cash awards will be given to employees for accepted suggestions for the elimination of pollution problems at Dofasco. It is hoped that this new addition to our regular employees' suggestion system will stimulate individual involvement in a problem with which we are all vitally concerned.

BOARD OF DIRECTORS AND MANAGEMENT

The Board of Directors report with regret the passing of Honorary Directors Mr. Arthur G. Wright and Mr. Thomas F. Rahilly. Mr. Rahilly had served as a Director of Dofasco for 18 years and was appointed an Honorary Director on October 25, 1968.

Mr. Wright started with the Company in 1913, and held the positions of Purchasing Agent, Secretary, Vice President, Executive Vice President, and President. He was a director of the Company for 51 years. In 1956, he was appointed Vice Chairman—Finance, a position he held until his retirement and subsequent appointment as Honorary Director in 1967. He will be remembered as a pioneer of the Canadian steel industry, and as one of the guiding hands in the Company's earlier, more difficult days. Both men's wise counsel will be sincerely missed.

Mr. William J. Stewart was appointed Vice President—Product Quality and Electrical Steels on October 17, 1969.

On January 19, 1970, Mr. Richard G. Storms was appointed Vice President—Manufacturing Controls.

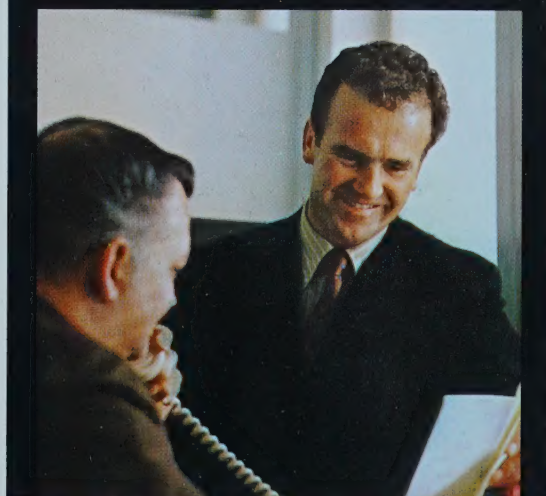
OUTLOOK

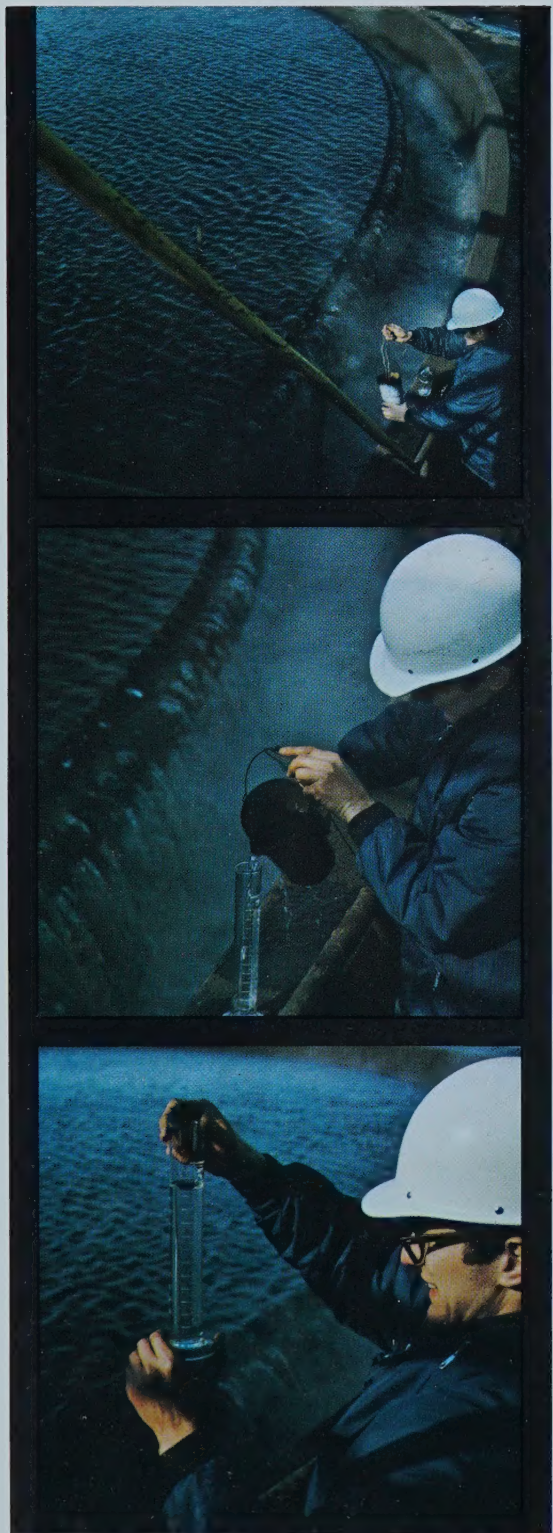
Prospects for the Company in the first half of 1970 appear to be very good. Strong current demand is being bolstered by manufacturers replenishing inventories depleted in 1969.

Global demand for steel remains strong. No increased pressure is expected from imports of flat-rolled products into Canada during 1970 as offshore producers are experiencing buoyant domestic markets. Offshore producers price according to demand so that their products are presently much less competitive in the Canadian market. Current U.S. mill prices for flat-rolled steel are well above Canadian levels.

North American automotive sales were lower than expected during the first four months of the 1970 model year. This has been reflected in some cutbacks in automotive steel demand. Although the outlook for this market in the second half is difficult to assess, some improvement is anticipated.

Customer satisfaction is a key goal of every Dofasco employee—including Field Metallurgist Tom Farquhar and Assistant Traffic Manager Walter Orchard. Together they represent over 29 years experience satisfying Dofasco customers. Here they are putting that experience to work preparing a special shipping procedure.





As mentioned in last year's Directors' Report, Canadian steel shipments to the North American auto industry were below total steel content of North American-produced vehicles sold in Canada in 1968. This situation continued in 1969 reflecting the automotive industry's emphasis on assembly rather than parts manufacture in Canada to achieve Canadian value added under the auto trade agreement. A shift in this emphasis would result in substantially increased Canadian steel consumption. Although the agreement is subject to regular reviews, we do not expect any significant changes in present regulations.

Increased consumption of soft drink, aerosol, and other small can products has created a growing demand for tinplate, the major container product. This trend is expected to continue into 1970.

The non-residential construction sector appears encouraging. Prolonged strikes in this industry during the last half of 1969 have extended the completion dates for many projects into 1970. Substantially more steel will be required for the completion of overdue commitments, in addition to new undertakings in 1970.

The prospects for Dofasco "Pre-Coat" steel in 1970 are particularly promising in view of the encouraging trends in non-residential construction and accelerated development and promotion programmes for this product.

The Canadian steel industry should experience increased demands from pipe manufacturers in 1970. A marked expansion in new petroleum and gas discoveries to supply a rapidly-growing North American market is under way. Dofasco will share in the additional steel requirements.

The outlook for our National Steel Car subsidiary and Dofasco's foundry operations for the first quarter of 1970 is favourable. However, the prospects for the second and third quarters are questionable as we do not have any definite commitments from the railway companies regarding orders for rolling stock.

As part of the company's continuing pollution control program, Dofasco engineer Murray Greenfield makes a scheduled check of water clarity before the sample is submitted for further laboratory tests. About 300 tons of iron oxide is removed from the water daily. Murray, a graduate in Metallurgical Engineering from McMaster University, is one of several Dofasco employees whose full-time responsibility is maintaining air and water pollution control programs.

The Federal Government's White Paper proposals for tax reform, if implemented, would have repercussions on the Company. After 1975 depletion allowances with respect to the Wabush and Sherman Mines would be eliminated. Depletion allowances and provision for rapid write-off proposed in the White Paper for new mines may not be sufficient incentive for us to invest in new mines in Canada only, and would force us to also consider mines in other countries.

There would be repercussions on our employees as well. One of the proposals of the White Paper would result in practically doubling the tax on lump sum payments from profit sharing funds. Our employees have always enjoyed this option of lump sum cash withdrawals, but it would effectively be destroyed should the White Paper be passed into law. We feel that this freedom of choice is one of the fundamental benefits of the profit sharing concept and should be retained.


We expect that the White Paper would reduce savings both for individuals and Canadian companies. This could make financing of future expansion by Canadian companies more difficult. It is for these reasons that we will urge the Canadian government to consider carefully before adopting these proposals.

At the Federal Government's recent conference in Ottawa, business leaders representing a broad cross-section of Canadian manufacturing discussed with government officials voluntary price restraints in 1970. In agreeing to these restraints in the immediate future, we emphasize that for these anti-inflationary measures to be successful they must also be supported by all segments of the economy.

You are probably aware that we increased prices on some of our products by about 6% in the fall of 1969, and that the increases were the subject of a study by the Prices and Incomes Commission. The Commission tabled a thorough and comprehensive report that clearly demonstrated that our increases in prices were in line with cost increases. However, an inference could be drawn from the report that the benefits from the productivity improvement achieved by the steel industry in recent years have been shared exclusively by shareholders and workers and not by customers. This does not apply to Dofasco. For several years before 1969, we used our higher productivity to maintain prices in the face of increasing wages and costs of materials and services. Also we have made large expenditures out of revenue to improve the quality of steel products. This quality improvement has been essential to our industry, our customers, and the economy in general.

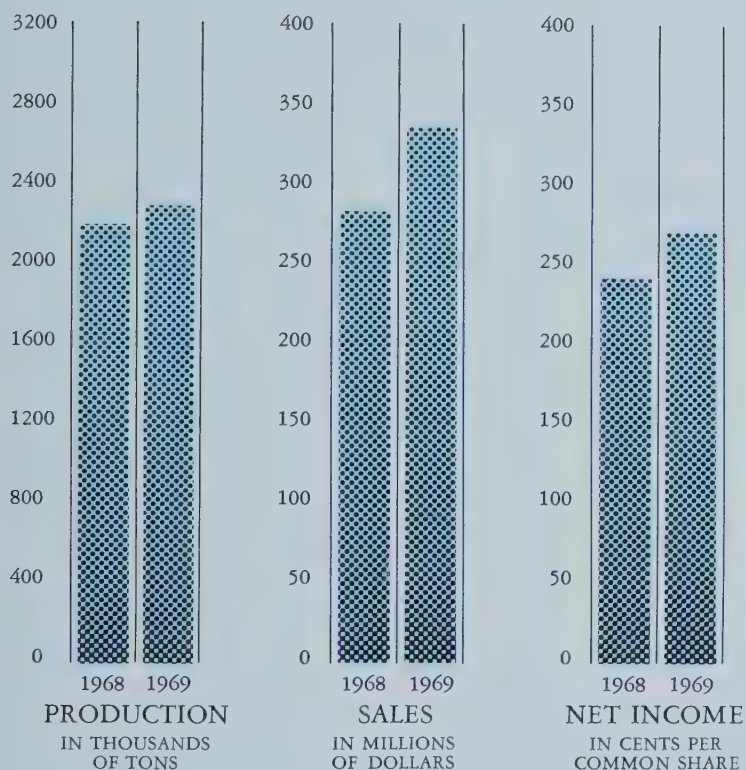
The Directors wish to thank the employees and staff for their assistance in making 1969 an impressive year at Dofasco.

Hamilton, Ontario
March 30, 1970


President

DOMINION FOUNDRIES AND STEEL, LIMITED
CONSOLIDATED STATEMENT
OF INCOME AND RETAINED EARNINGS
FOR YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968 — in thousands of dollars)

INCOME	1969	1968
Sales	\$332,610	\$280,128
Cost of sales (excluding the following items)	\$235,522	\$197,226
Depreciation	26,387	24,570
Allotted for employees' profit sharing	6,493	5,893
Interest on long term debt (less discount on purchase of debentures)	3,530	4,867
Income from operations	60,678	47,572
Income from investments (including associated companies; 1969—\$496; 1968—\$355)	3,113	2,302
Income before taxes	63,791	49,874
Income taxes	21,800	11,500
Net income for year	\$ 41,991	\$ 38,374
Net income per common share (after preferred dividends)	\$2.64	\$2.41
RETAINED EARNINGS		
Balance at beginning of year	\$171,839	\$145,197
Add:		
Net income for year	41,991	38,374
Discount on preferred shares purchased for cancellation	16	199
	213,846	183,770
Deduct dividends declared:		
Preferred shares	1,086	1,124
Common shares (1969—80¢; 1968—70¢)	12,371	10,807
Balance at end of year	\$200,389	\$171,839



AUDITORS' REPORT

To the Shareholders of Dominion Foundries and Steel, Limited:

We have examined the consolidated balance sheet of Dominion Foundries and Steel, Limited as at December 31, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Canada,
January 23, 1970.

CLARKSON, GORDON & CO.
Chartered Accountants.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

DECEMBER 31, 1969

(in thousands of dollars)

(1) INVENTORIES

	<u>1969</u>	<u>1968</u>
Materials and supplies	\$ 36,422	\$ 29,573
Work in process and finished products	29,547	30,719
	<u>\$ 65,969</u>	<u>\$ 60,292</u>

Inventories are valued at the lower of cost and realizable value.

(2) PREFERRED SHARES

Authorized—500,000 preferred shares of the par value of \$100.00 each, issuable in series.

Issued—250,000 4¾% cumulative redeemable preferred shares, Series A, redeemable at the company's option at a premium of \$3.00 to June 1, 1973 and reduced amounts thereafter, of which 228,720 shares are outstanding (1968—229,620).

To December 31, 1969, 21,280 shares have been purchased for cancellation (including 900 shares during 1969 for \$74) and accordingly, in compliance with Section 61 of the Canada Corporations Act, retained earnings of \$2,128 are designated as capital surplus.

DOMINION FOUNDRIES AND STEEL, LIMITED

(INCORPORATED UNDER THE LAWS OF CANADA)

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1969

(with comparative figures at December 31, 1968—in thousands of dollars)

ASSETS

CURRENT:	<u>1969</u>	<u>1968</u>
Cash	\$ 4,764	\$ 3,905
Investment in short term securities at cost and accrued interest (approximating market value)	32,492	33,011
Accounts receivable	40,360	35,212
Inventories (note 1)	65,969	60,292
Total current assets	<u>143,585</u>	<u>132,420</u>
 FIXED (note 5):		
Land, buildings and equipment at cost	546,307	501,156
Less accumulated depreciation	210,433	184,378
	<u>335,874</u>	<u>316,778</u>
 OTHER:		
Investment in associated companies at cost (approximating underlying equity)	5,436	5,792
Deferred charges and other assets	2,097	1,439
Special refundable tax	—	326
	<u>7,533</u>	<u>7,557</u>
	<u><u>\$486,992</u></u>	<u><u>\$456,755</u></u>

On behalf of the Board:

H. N. Bawden, Director

F. H. Sherman, Director

NOTES (continued)

(3) COMMON SHARES

Authorized—25,000,000 common shares of no par value.

Issued and outstanding—15,478,762 shares (1968—15,449,790).

A plan was adopted in 1964 authorizing employee stock options extending to April 1974 and covering a maximum of 480,000 common shares. The number of common shares covered by each option varies with changes in the optionee's remuneration and therefore cannot be determined until the last year of its term. Options have been granted to fifty employees (of whom eleven are officers) at prices varying from \$18.00 to \$25.00 per share. To December 31, 1969, 125,566 shares have been issued (including 28,972 shares during 1969 for cash, \$524).

(4) RETIREMENT PLANS

The companies have funded retirement plans covering substantially all of their employees. Costs charged against income in the year include amounts for current and past service.

The estimated unfunded past service costs, not included in the accompanying financial statements at December 31, 1969, were \$1,700 and these will be paid and charged against income over the next eight years.

LIABILITIES

CURRENT:	1969	1968
Accounts payable and accrued charges	\$ 34,716	\$ 18,385
Amounts payable for employees' profit sharing	6,493	5,893
Income and other taxes payable	12,013	13,270
Dividends payable	3,366	3,362
Current requirements on long term debt (note 6)	3,605	—
Total current liabilities	60,193	40,910
LONG TERM DEBT (note 6)	58,100	68,624
DEFERRED INCOME TAXES	93,750	101,256
SHAREHOLDERS' EQUITY:		
Preferred shares (note 2)	22,872	22,962
Common shares (note 3)	51,688	51,164
Retained earnings	200,389	171,839
	274,949	245,965
	<u>\$486,992</u>	<u>\$456,755</u>

NOTES (continued)

(5) FIXED ASSETS

	<u>1969</u>	<u>1968</u>
Manufacturing facilities and equipment at cost	\$452,470	\$409,780
Iron ore projects at cost	<u>93,837</u>	<u>91,376</u>
	546,307	501,156
Less accumulated depreciation	<u>210,433</u>	<u>184,378</u>
	<u>\$335,874</u>	<u>\$316,778</u>

The unexpended portion of capital expenditures authorized at December 31, 1969 amounted to approximately \$73,000.

(6) LONG TERM DEBT

	<u>1969</u>	<u>1968</u>
4½% debentures maturing 1969	—	\$ 2,519
4½% debentures maturing 1971	\$ 5,405	6,045
6¾% debentures maturing 1974	11,514	11,607
6½% debentures maturing 1987	33,986	35,000
9% notes payable maturing 1974	10,800	—
6½% bank loan maturing 1969	<u>—</u>	<u>13,453</u>
Outstanding at December 31	61,705	68,624
Less current requirements	<u>3,605</u>	<u>—</u>
	<u>\$ 58,100</u>	<u>\$ 68,624</u>

Sinking fund requirements and debenture and note maturities during the next five years are as follows:

1970—\$3,605; 1971—\$7,714; 1972—\$1,176; 1973—\$2,190; 1974—\$15,590.

(7) STATUTORY INFORMATION

The aggregate remuneration received by directors as directors, officers or employees amounted to \$406 for the year.

DOMINION FOUNDRIES AND STEEL, LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968—in thousands of dollars)

SOURCE OF FUNDS:

	1969	1968
Operations		
Net income for year	\$41,991	\$38,374
Add (deduct):		
Depreciation	26,387	24,570
Deferred income taxes	(7,506)	(361)
Funds from operations	60,872	62,583
Common shares issued for cash	524	258
Reduction in other assets	24	2,263
	<u>61,420</u>	<u>65,104</u>

APPLICATION OF FUNDS:

New facilities and equipment		
Manufacturing (\$43,016 less portion financed by long term notes payable \$10,800)	32,216	18,449
Iron ore projects	2,467	3,115
Reduction in long term debt—bank indebtedness	13,453	12,395
—debentures and notes payable	7,871	5,862
Preferred shares purchased for cancellation (less discount)	74	1,179
Dividends to shareholders	13,457	11,931
	<u>69,538</u>	<u>52,931</u>

INCREASE OR (REDUCTION) IN WORKING CAPITAL

WORKING CAPITAL AT BEGINNING OF YEAR	<u>91,510</u>	<u>79,337</u>
WORKING CAPITAL AT END OF YEAR	<u>\$83,392</u>	<u>\$91,510</u>

TEN YEAR SUMMARY OF PRODUCTION AND FINANCIAL DATA

	1969	1968	1967	1966	1965
Production of ingots and castings—net tons*	2,279	2,180	1,879	1,877	1,785
Sales*	\$332,610	\$280,128	\$265,083	\$271,086	\$268,347
Depreciation*	\$ 26,387	\$ 24,570	\$ 20,465	\$ 17,504	\$ 14,548
Net income*	\$ 41,991	\$ 38,374	\$ 24,566	\$ 24,557	\$ 25,609
Net income per common share	\$ 2.64	\$ 2.41	\$ 1.52	\$ 1.52	\$ 1.61
Net income—percent of sales	12.6%	13.7%	9.3%	9.1%	9.5%
Dividends declared—per common share	\$.80	\$.70	\$.60	\$.60	\$.57½
per preferred share	\$ 4.75	\$ 4.75	\$ 4.75	\$ 4.75	\$ 3.17
Total dividends declared*	\$ 13,457	\$ 11,931	\$ 10,416	\$ 10,425	\$ 9,635
Income reinvested in the business*	\$ 28,534	\$ 26,443	\$ 14,150	\$ 14,132	\$ 15,974
Working capital*	\$ 83,392	\$ 91,510	\$ 79,337	\$ 69,949	\$ 76,767
Capital expenditures—manufacturing*	\$ 43,016	\$ 18,449	\$ 22,748	\$ 56,906	\$ 38,244
Expenditures on mining properties*	\$ 2,915	\$ 3,499	\$ 23,320	\$ 27,494	\$ 6,816
Cash flow* †	\$ 60,872	\$ 62,583	\$ 57,972	\$ 61,073	\$ 59,217
Cash flow per common share	\$ 3.93	\$ 4.05	\$ 3.76	\$ 3.97	\$ 3.85
Long term debt*	\$ 58,100	\$ 68,624	\$ 86,881	\$ 79,436	\$ 52,444
Average number of employees	8,600	7,800	8,100	8,400	8,600
Number of common shareholders	20,183	20,444	19,696	19,805	18,818
Percentage of shares held in Canada	94.2%	93.7%	92.7%	90.5%	90.0%

*In thousands.

†Cash flow — net income plus depreciation and deferred income taxes in the year.

1964	1963	1962	1961	1960
1,584	1,391	1,243	1,126	992
\$229,194	\$177,314	\$167,502	\$133,385	\$117,774
\$ 13,114	\$ 11,821	\$ 10,956	\$ 10,261	\$ 9,131
\$ 23,457	\$ 19,741	\$ 16,557	\$ 14,094	\$ 11,827
\$ 1.53	\$ 1.29	\$ 1.09	\$.98	\$.83
10.2%	11.1%	9.9%	10.6%	10.0%
\$.48¾	\$.41¼	\$.40	\$.36¼	\$.35
—	—	\$ 1.50½	\$ 4.50	\$ 4.50
\$ 7,485	\$ 6,302	\$ 6,025	\$ 5,264	\$ 5,082
\$ 15,972	\$ 13,439	\$ 10,532	\$ 8,830	\$ 6,745
\$ 52,769	\$ 38,368	\$ 36,168	\$ 34,148	\$ 31,232
\$ 37,691	\$ 18,114	\$ 16,923	\$ 12,049	\$ 27,965
\$ 15,969	\$ 7,775	\$ 10,351	\$ 4,951	—
\$ 50,228	\$ 35,862	\$ 31,013	\$ 26,555	\$ 23,783
\$ 3.27	\$ 2.35	\$ 2.11	\$ 1.88	\$ 1.69
\$ 55,953	\$ 35,156	\$ 37,406	\$ 39,501	\$ 40,681
7,600	5,900	5,900	4,500	4,500
15,924	13,060	13,381	11,206	11,377
90.1%	90.6%	90.3%	90.2%	91.8%

DOMINION FOUNDRIES AND STEEL, LIMITED

	Percentage Ownership
SUBSIDIARY *	
National Steel Car Corporation, Limited, Hamilton, Ontario	100.0%
JOINT VENTURES *	
Sherman Mine, Temagami, Ontario	90.0%
Wabush Mines, comprising:	16.4%
Scully Mine, Wabush, Newfoundland	
Arnaud Pellets, Pointe Noire, Quebec	
Kimberley Ventures, Australia	11.0%
Easternex, Australia	10.8%
ASSOCIATED COMPANIES †	
Baycoat Limited, Hamilton, Ontario	50.0%
Itmann Coal Company, West Virginia	9.0%
Arnaud Railway Company, Quebec	16.4%
Knoll Lake Minerals Limited, Newfoundland	9.5%
Northern Airport Limited, Newfoundland	8.2%
Northern Land Company Limited, Newfoundland	8.2%
Twin Falls Power Corporation, Limited, Newfoundland	2.8%
Wabush Lake Railway Company, Limited, Newfoundland	16.4%
TRANSFER AGENTS AND REGISTRARS	
National Trust Company, Limited—Toronto, Montreal, Vancouver, Winnipeg, Calgary	
Canada Permanent Trust Company—Halifax	
The Bank of Nova Scotia Trust Company—New York	

**Ownership interest consolidated in Financial Statements*

†Included in Investment in Associated Companies in Financial Statements



The massive Sherman Mine, near Temagami, Ontario, provides a long-term domestic source of high-grade iron ore pellets to the company.

A recently acquired 110 acre tract of land, as outlined, is ideally situated for future expansion.

Over 5,000 acres near Port Burwell, Ontario were obtained during 1969 to be used for long-term expansion.



National Steel Car Limited, a wholly-owned Dofasco subsidiary, produces a wide range of standard and custom-engineered railway rolling stock for domestic and foreign markets.





Harold Filka pays close attention to customer requirements as he dispatches a shipment of Dofasco cold-rolled steel. Each Dofasco steel order is identified by customer name and end-use through every facet of production—from the Sales Order Desk to Production Control, Rolling Mills, Inspection and Shipping.



DOMINION FOUNDRIES AND STEEL, LIMITED

DOFASCO

AR39

Quarterly Report
to
Shareholders

*for the period ended
June 30, 1970*



DOMINION FOUNDRIES
AND STEEL, LIMITED
HAMILTON, ONTARIO

QUARTERLY REPORT

To the Shareholders of Dominion Foundries and Steel, Limited:

Summarized below are Dofasco's consolidated results (unaudited) for the second quarter and for the first six months of 1970, with comparative figures for the same periods last year (in thousands of dollars):

	<i>Three Months Ended June 30</i>		<i>Six Months Ended June 30</i>	
	<i>1970</i>	<i>1969</i>	<i>1970</i>	<i>1969</i>
Ingot production (net tons).....	563,753	581,460	1,150,674	1,091,207
Sales.....	\$78,249	\$83,473	\$167,946	\$165,725
Depreciation.....	6,700	6,593	13,300	13,141
Income before income taxes.....	11,705	15,608	27,979	32,237
Income taxes.....	3,600	5,401	9,800	10,100
Net income.....	8,105	10,207	18,179	22,137
Net income per common share.....	\$ 0.51	\$ 0.65	\$ 1.14	\$ 1.40

Operations

While plant operations have been satisfactory, higher costs for coal, iron ore, scrap and tin, together with increased wages and salaries, resulted in lower profits compared to the first half of last year. These were not fully offset by increased selling prices. Heavy maintenance expenses and carrying charges on uncompleted capital projects and on properties have further adversely affected profits.

Also, net income for the six months was lower because of a higher effective income tax rate in the first quarter of 1970 compared to that for the first quarter of 1969, which at the time benefited from the tax exempt status of Wabush Mines.

Sales of \$78,249,000 in the second quarter were 6% lower than in the same period last year due largely to a substantially reduced level of business at National Steel Car which, however, did not have a major effect on profits.

Scheduled maintenance and construction lowered ingot production in the second quarter.

Capital Expenditures

The \$100,000,000 expansion programme to increase ironmaking, steelmaking, primary rolling, and some finishing capacity is progressing at a satisfactory rate and it is anticipated all units will be in operation during 1971. Engineering is being completed and construction is expected to begin shortly on an \$11 million pollution control complex. Included in this complex is a hydrochloric acid regeneration plant, a hot mill filtration plant as well as a waste water treatment plant for the cold mill operation.

Outlook

The rate of incoming orders, which was declining in the second quarter, is now steady. Both steelmaking and rolling mill operations are expected to continue near capacity. As customers are maintaining low inventories, prompt deliveries are required.

Canadian steel consumption declined during the first six months of the year but this was offset by the need to rebuild inventories and by additional exports. Greater demand is anticipated in Canada as the third quarter progresses.

As a result of unforeseen gear problems on the Sherman Mine grinding mills, production and employment at the mine has declined. This slowdown is expected to reduce output from the mine by slightly more than 10% for the year. Steel production in Hamilton will not be affected.

National Steel Car's third quarter production will be considerably lower because of lack of orders. However, two major orders, totalling over \$30 million, have recently been received which will allow us to operate near capacity and as a result will improve operations in the fourth quarter of this year and the first quarter of 1971. This will also have a beneficial effect on the foundry operations.

On July 8, Dofasco and Alberta Gas Trunk Line Company announced formation of a new company, International Portable Pipe Mills Limited, to manufacture large diameter line pipe used in the transmission of oil and gas. The new company will, for the first time, use the portable pipe mill concept whereby pipe is produced and tested at a plant on the pipeline right-of-way. This is our first equity investment in Western Canada.

A handwritten signature in dark ink, appearing to read "J H Sloan", with a long horizontal flourish extending to the right.

President

July 30, 1970

DOMINION FOUNDRIES AND STEEL, LIMITED
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE SIX MONTHS ENDED JUNE 30, 1970

(with comparative figures for 1969 — in thousands of dollars)

	<i>Six Months Ended June 30</i>	<i>1970</i>	<i>1969</i>
	<hr/>	<hr/>	<hr/>
SOURCE OF FUNDS:			
Operations —			
Net income for period.....	\$18,179	\$22,137	
Add (deduct):			
Depreciation.....	13,300	13,141	
Deferred income taxes.....	(1,500)	(2,772)	
	<hr/>	<hr/>	
Funds from operations.....	29,979	32,506	
Common shares issued for cash.....	60	217	
	<hr/>	<hr/>	
	\$30,039	\$32,723	
	<hr/>	<hr/>	
APPLICATION OF FUNDS:			
New facilities and equipment — manufacturing.....	\$29,818	\$10,530	
— iron ore projects.....	1,144	993	
Reduction in long term debt — bank indebtedness.....	—	13,453	
— debentures.....	5,381	4,421	
Dividends to shareholders.....	7,124	6,726	
Preferred shares purchased for cancellation (less discount).....	—	74	
Other changes.....	(187)	(582)	
	<hr/>	<hr/>	
	\$43,280	\$35,615	
	<hr/>	<hr/>	
INCREASE (DECREASE) IN WORKING CAPITAL.....	\$(13,241)	\$(2,892)	
WORKING CAPITAL AT BEGINNING OF PERIOD.....	83,392	91,510	
	<hr/>	<hr/>	
WORKING CAPITAL AT END OF PERIOD.....	\$70,151	\$88,618	
	<hr/> <hr/>	<hr/> <hr/>	

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Quarterly Report
to
Shareholders

*for the period ended
June 30, 1971*



DOMINION FOUNDRIES
AND STEEL, LIMITED
HAMILTON, ONTARIO

QUARTERLY REPORT

To the Shareholders of Dominion Foundries and Steel, Limited:

Summarized below are Dofasco's consolidated results (unaudited) for the second quarter and for the first six months of 1971, with comparative figures for the same periods last year (in thousands of dollars):

	<i>Three Months Ended</i> <i>June 30</i>		<i>Six Months Ended</i> <i>June 30</i>	
	<i>1971</i>	<i>1970</i>	<i>1971</i>	<i>1970</i>
Ingot production (net tons)	<u>612,063</u>	<u>563,753</u>	<u>1,194,677</u>	<u>1,150,674</u>
Sales	<u>\$104,506</u>	<u>\$78,249</u>	<u>\$ 197,439</u>	<u>\$ 167,946</u>
Depreciation	7,400	6,700	14,200	13,300
Income before income taxes	12,125	11,705	22,579	27,979
Income taxes	3,700	3,600	7,100	9,800
Net income	<u>8,425</u>	<u>8,105</u>	<u>15,479</u>	<u>18,179</u>
Net income per common share	\$ <u>0.52</u>	\$ <u>0.51</u>	\$ <u>0.96</u>	\$ <u>1.14</u>

Operations

Net income for the second quarter of 1971 is slightly higher than for the same period of last year. The 4% increase in earnings is disappointing when compared to a sales volume of \$104,506,000, a record for any quarter and \$26,257,000 greater than in the comparable period of 1970. Shipments from both Dofasco and National Steel Car Corporation were higher than last year.

Higher raw material and operating costs continue to be the major reason for lower earnings. Interest expense and depreciation expense associated with the expansion programme have also reduced earnings. Greater shipments and increased selling prices have only partially offset these increased costs. Delays in completion and break-in of new equipment held production below expectations and necessitated some purchases of semi-finished steel at substantially higher cost.

Ingot production for the second quarter of 1971 is almost 9% higher than in the corresponding quarter of last year. This trend should continue for the remainder of 1971 now that a new blast furnace is in operation and additional facilities in the steelmaking division are nearing completion.

Capital Expenditures


Expenditures during the first six months were approximately \$32,000,000. All completed units are now operating satisfactorily. A fifth battery of coke ovens went into service recently and major units scheduled for completion later this year include a 56" cold reduction mill and a third electrolytic tinning line.

Outlook

Demand for our steel products remains strong. We expect capacity operations for the remainder of the year. However, business in the fourth quarter could be adversely affected by offshore imports of Japanese and other steel, and indirectly by increased imports of automobiles and other manufactured products.

The foundry and National Steel Car will be in full production the balance of the year and well into 1972.

Last week, we announced that we had made an offer to purchase from Jones & Laughlin Mining Company, Ltd. the assets of its Adams Mine near Kirkland Lake in Northern Ontario. This property, together with Dofasco's interests in the Sherman Mine at Temagami, Ontario, and Wabush Mines at Wabush Lake, Labrador, will provide Dofasco with its entire current requirements of iron ore from Canadian sources.

A handwritten signature in blue ink, appearing to read "J H Sherman".

President

July 29, 1971

(with comparative figures for 1970 — in thousands of dollars)

	Six Months Ended June 30 1971	1970
SOURCE OF FUNDS:		
Operations —		
Net income for period.....	\$15,479	\$18,179
Add (deduct):		
Depreciation.....	14,200	13,300
Deferred income taxes.....	2,500	(1,500)
Funds from operations.....	32,179	29,979
Common shares issued for cash.....	619	60
Issue of 9% debentures (less discount).....	49,300	—
	<u>\$82,098</u>	<u>\$30,039</u>
APPLICATION OF FUNDS:		
New facilities and equipment — manufacturing.....	\$31,002	\$29,818
— iron ore projects.....	967	1,144
Reduction in long term debt — bank indebtedness.....	25,000	—
— debentures.....	1,825	5,381
Dividends to shareholders.....	7,518	7,124
Preferred shares purchased for cancellation (less discount).....	228	—
Other changes.....	82	(187)
	<u>\$66,622</u>	<u>\$43,280</u>
INCREASE (DECREASE) IN WORKING CAPITAL.....	\$15,476	\$(13,241)
WORKING CAPITAL AT BEGINNING OF PERIOD.....	72,751	83,392
WORKING CAPITAL AT END OF PERIOD.....	<u>\$88,227</u>	<u>\$70,151</u>

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Quarterly Report
to
Shareholders

*for the period ended
June 30, 1972*



DOMINION FOUNDRIES
AND STEEL, LIMITED
HAMILTON, ONTARIO

QUARTERLY REPORT

To the Shareholders of Dominion Foundries and Steel, Limited:

Summarized below are Dofasco's consolidated results (unaudited) for the second quarter and for the first six months of 1972, with comparative figures for the same periods last year (in thousands of dollars):

	<i>Three Months Ended</i> <i>June 30</i>		<i>Six Months Ended</i> <i>June 30</i>	
	<u>1972</u>	<u>1971</u>	<u>1972</u>	<u>1971</u>
Ingot production (net tons)	698,000	612,100	1,384,400	1,194,700
Sales	\$104,600	\$104,500	\$ 216,300	\$ 197,400
Depreciation	8,200	7,400	16,200	14,200
Income before income taxes	15,800	12,100	30,600	22,600
Income taxes	6,800	3,700	13,400	7,100
Net income	9,000	8,400	<u>17,200</u>	<u>15,500</u>
Net income per common share	\$ 0.56	\$ 0.52	\$ 1.07	\$ 0.96

Operations

Operations continued at peak levels, resulting in record production. Gains of about 15% were achieved for both the quarterly and six-month periods over last year.

Shipments of flat-rolled products in the first six months showed a similar improvement with increases for most categories of end use, particularly construction and automotive. On the other hand, shipments of foundry products and railway rolling stock from National Steel Car were considerably lower. These factors, combined with higher selling prices, resulted in a net improvement of 10% in consolidated sales for the first half year.

Margins of profit before tax, although not at the levels experienced three and four years ago, were improved over last year as major new production facilities are now operating satisfactorily and at good volume rates.

The effective rate of taxes applicable to income this year was higher as a result of the expiration, on June 1, 1971, of the tax-exempt period for the Sherman Mine. As a result the net return on sales for the six-month period is about the same as last year, although a higher proportion of the income is from manufacturing rather than mining operations.

Capital Expenditures

Expenditures during the first six months were \$16,200,000. These consisted principally of completion of a third electrolytic tinning line, further pollution control expenditures for acid and water treatment facilities and large new ore haul trucks at all three iron mines in which the Company has interests.

Outlook

We expect that production of flat-rolled products will be at capacity throughout the third quarter as demand remains strong. Operations in some of our finishing divisions could be affected in the fourth quarter because of accumulation of customers' inventories, due in part to the unresolved labour situation in the industry and also to substantial imports of steel in the first half of the year from offshore sources.

Mining operations at Wabush are currently shut down because of a strike. We have a large inventory of iron ore pellets and therefore anticipate no effect on operations at Hamilton.

The outlook for the foundry and National Steel Car is now excellent for the remainder of the year.

The full impact of the recent Federal Budget on the economy has yet to be assessed. However, the fast write-off of the capital cost of new manufacturing equipment acquired after May 8, 1972, and the lower rate of income taxes on manufacturing income earned after December 31, 1972, are welcome changes and should improve the Company's cash flow and net earnings in future periods.



President

July 27, 1972

(with comparative figures for 1971 — in thousands of dollars)

1972

1971

INCREASE IN WORKING CAPITAL	\$ —	\$ 9,500
WORKING CAPITAL AT BEGINNING OF PERIOD	<u>95,500</u>	<u>78,700</u>
WORKING CAPITAL AT END OF PERIOD	\$95,500	\$88,200

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Quarterly Report
to
Shareholders

*for the period ended
June 30, 1973*



DOMINION FOUNDRIES
AND STEEL, LIMITED
HAMILTON, ONTARIO

QUARTERLY REPORT

To the Shareholders of Dominion Foundries and Steel, Limited:

Summarized below are Dofasco's unaudited consolidated results for the second quarter and for the first six months of 1973, with comparative figures for the same periods last year (in thousands of dollars):

	<i>Three Months Ended</i> <i>June 30</i>		<i>Six Months Ended</i> <i>June 30</i>	
	<i>1973</i>	<i>1972</i>	<i>1973</i>	<i>1972</i>
Ingot production (net tons)	764,700	698,000	1,504,700	1,384,400
Sales	\$132,900	\$104,600	\$264,400	\$216,300
Depreciation	8,800	8,200	17,000	16,200
Income before income taxes	20,300	15,800	41,300	30,600
Income taxes	7,400	6,800	15,600	13,400
Net income	12,900	9,000	25,700	17,200
Net income per common share	\$ 0.81	\$ 0.56	\$ 1.61	\$ 1.07

Operations

Unprecedented demand resulted in continued operation at full capacity. An annual ingot production rate exceeding 3,000,000 tons was achieved in the second quarter.

Shipments were higher in both the quarterly and six-month periods than in any previous comparable period.

Net income for both periods also showed substantial improvement, primarily as the result of higher volume. The tax reductions and accelerated write-off of capital expenditures proposed in the federal budget resolutions of May 8, 1972 have been reflected in the figures presented in this report, retroactive to January 1, 1973, as the amending legislation has now been approved by Parliament. This had the effect of increasing income for the first quarter by 6¢ per share over that previously reported. While we are pleased with the passing of the legislation, the conditions under which it is subject to future review give us some concern in view of the long period required for the planning and installation of new facilities in the steel industry.

Employment

Dofasco's work force has been increased by approximately 500 people during the past year, reflecting the high levels at which all divisions have operated.

At National Steel Car Corporation, operations were shut down on June 11th by a strike. The Company's offer had been recommended for acceptance by the negotiating committee but was rejected by the union membership.

Capital Expenditures

Capital expenditures for the first six months of 1973 amounted to \$23,000,000.

Major projects currently planned or underway include the rebuild of No. 1 blast furnace, additional ingot heating capacity, additional electrical steel capacity, waste water treatment facilities for finishing plants and a major addition to the main office building.

Outlook

We expect that operations at Dofasco will continue at capacity throughout the remainder of the year. Order books are currently full and customers are on allocation for flat rolled products.

The immediate outlook at National Steel Car is uncertain in view of the shutdown of operations already referred to.

Source and Use of Funds

The following figures summarize, on a consolidated basis, Dofasco's sources and uses of working capital funds for the six-month period ended June 30th in each of the years 1973 and 1972.

	<i>Six Months Ended</i>	
	<i>June 30</i>	
	<u>1973</u>	<u>1972</u>
	<i>(In thousands of dollars)</i>	
SOURCES OF FUNDS:		
Operations (consisting of net income, depreciation and income taxes deferred)	\$ 46,700	\$ 37,700
Common shares issued	<u>600</u>	<u>600</u>
	<u>\$ 47,300</u>	<u>\$ 38,300</u>
USE OF FUNDS:		
New facilities	\$ 23,000	\$ 16,200
Reduction in long term debt	14,100	10,700
Dividends	7,900	7,500
Preferred shares purchased for cancellation	200	300
Increase in investment and advances to associated companies	100	1,700
Loan to Eastern Associated Coal Corp.	<u>1,700</u>	<u>1,900</u>
	<u>\$ 47,000</u>	<u>\$ 38,300</u>
INCREASE IN WORKING CAPITAL	<u>\$ 300</u>	<u>\$ —</u>
WORKING CAPITAL AT JUNE 30	<u>\$103,200</u>	<u>\$ 95,500</u>


President

July 30, 1973

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Quarterly Report
to
Shareholders

*For the Period Ended
June 30, 1974*



DOMINION FOUNDRIES
AND STEEL, LIMITED
HAMILTON, ONTARIO

Quarterly Report

To the Shareholders of Dominion Foundries and Steel, Limited:

Summarized below are Dofasco's unaudited consolidated results for the second quarter and for the first six months of 1974, with comparative figures for the same periods last year (in thousands of dollars):

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>June 30</i>		<i>June 30</i>	
	<i>1974</i>	<i>1973</i>	<i>1974</i>	<i>1973</i>
Ingot production (net tons).....	766,000	764,700	1,526,100	1,504,700
Sales.....	\$166,100	\$132,900	<u>\$331,100</u>	<u>\$264,400</u>
Depreciation.....	8,600	8,800	17,300	17,000
Income before income taxes.....	24,700	20,300	52,900	41,300
Income taxes.....	8,900	7,400	19,500	15,600
Net income.....	15,800	12,900	<u>33,400</u>	<u>25,700</u>
Net income per common share.....	\$.99	\$.81	<u>\$2.09</u>	<u>\$1.61</u>

Operations

Demand for flat rolled steel products remained exceptionally strong. Production of raw steel was maintained at maximum capacity to keep our rolling mills supplied to the fullest possible extent. Despite this, inventories of ingots and rolled steel at various stages of production were reduced substantially below levels normally considered adequate.

Sales for the first half of 1974 were 25% higher than in the comparable period last year, reflecting both higher selling prices and the higher volume of shipments; operations at National Steel Car and at Prudential Steel were also at higher levels and these subsidiaries contributed to the increase in sales. Costs have escalated rapidly during the first six months of the current year, and so, despite the sales improvements and the reduction in inventories already referred to, the percentage return on sales has remained at about the same level as a year ago.

Capital Expenditures

Capital expenditures during the first six months of 1974 amounted to \$34,400,000. The unexpended portion of approved projects amounts to approximately \$180,000,000.

Major projects in the course of construction include a second five-stand cold rolling mill, rebuilding No. 1 blast furnace and an addition to the main office building.

Facilities in the planning stage include a second melt shop and a hot strip mill. The Company is also participating to the extent of a 16% interest in Eveleth Expansion Company in Minnesota. This is a project from which we expect to receive an additional 676,000 tons of iron ore pellets annually, commencing in 1977.

Additional financing in the form of a 10% issue of sinking fund debentures, in the amount of \$50,000,000 maturing June 1, 1994 was successfully completed on May 29, 1974. Proceeds of this issue have been invested temporarily pending their use in capital expansion.

Outlook

Demand for all of our steel products continues to be very strong, exceeding our ability to supply and making continued allocation necessary.

The high level of activity has resulted in record employment, both at Dofasco and in the plants of subsidiary companies. The combined work force is currently in excess of 12,000 people including about 1,200 summer students. This represents an increase in employment of 10½% from a year ago.

Canadian domestic steel prices are considerably below world domestic prices. There is continuing upward pressure on export markets resulting in prices which, in some instances, are twice the level of Canadian prices. Dofasco's policy will continue to be one of giving priority to domestic customers. Our exports represent a very small portion of total sales and are lower than in 1973. However, if domestic demand slackens there could be opportunities for export business as long as offshore markets remain strong.

The outlook for foundry business is bright and at National Steel Car, production of railway rolling stock is sold out into 1976. Production of oil and gas pipe at Prudential Steel is also at capacity and the outlook for the remainder of the year is excellent.

Source and Use of Funds

The following figures summarize, on a consolidated basis, Dofasco's source and use of funds for the six-month period ended June 30th in each of the years 1974 and 1973.

	<i>Six Months Ended June 30</i>	
	<i>1974</i>	<i>1973</i>
	<i>(In thousands of dollars)</i>	
SOURCE OF FUNDS:		
Operations (consisting of net income, depreciation and deferred income taxes).....	\$ 56,200	\$ 46,700
Common shares issued.....	200	600
Issue of 10% debentures (net).....	49,200	—
	<u>\$105,600</u>	<u>\$ 47,300</u>
USE OF FUNDS:		
New facilities.....	\$ 34,400	\$ 23,000
Reduction in long term debt.....	3,000	14,100
Dividends.....	9,900	7,900
Preferred shares purchased for cancellation.....	200	200
Net increase in investments.....	1,400	100
Loan to Eastern Associated Coal Corp.....	—	1,700
	<u>\$ 48,900</u>	<u>\$ 47,000</u>
INCREASE IN WORKING CAPITAL.....	<u>\$ 56,700</u>	<u>\$ 300</u>
WORKING CAPITAL AT JUNE 30.....	<u><u>\$163,900</u></u>	<u><u>\$103,200</u></u>

On behalf of the Board:

R. R. CRAIG, *Director*

J. G. SHEPPARD, *Director*

July 30, 1974

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Quarterly Report
to
Shareholders

*For the Period Ended
June 30, 1975*



File

DOMINION FOUNDRIES
AND STEEL, LIMITED
HAMILTON, ONTARIO

Quarterly Report

To the Shareholders of Dominion Foundries and Steel, Limited:

Summarized below are Dofasco's unaudited consolidated results for the second quarter and for the first six months of 1975, with comparative figures for the same periods last year (dollars in thousands):

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>June 30</i>		<i>June 30</i>	
	<i>1975</i>	<i>1974</i>	<i>1975</i>	<i>1974</i>
Ingot production (net tons).....	783,100	766,000	1,496,200	1,526,100
Sales.....	\$163,500	\$166,100	\$351,700	\$331,100
Depreciation.....	9,400	8,600	18,500	17,300
Income before income taxes.....	15,900	24,700	45,900	52,900
Income taxes.....	4,500	8,900	15,200	19,500
Net income.....	11,400	15,800	30,700	33,400
Net income per common share.....	\$.71	\$.99	\$1.92	\$2.09

Operations

The rate of ingot production increased during the second quarter as No. 1 blast furnace was placed back in service, following a major rehabilitation. At the present time, output is again restricted as No. 4 blast furnace is being relined. It is expected to be back in production before the end of August.

Shipments of flat rolled products declined during the second quarter as demand from most market sectors slackened. Tonnage shipped during the quarter was 16% lower than in the comparable period last year.

Demand for steel castings, rolling stock from National Steel Car and tubular product from Prudential Steel has remained firm and volume of shipments was about the same as last year.

Net income in the quarter was 41% lower than in the first quarter and 28% lower than in the comparable period last year. This results not only from a lower volume of sales but also from substantially higher costs.

Capital Expenditures

The construction of No. 2 melt shop and related facilities is expected to get underway shortly. This project is estimated to cost \$103 million and will increase steelmaking capacity by about one third.

In order to secure adequate future supplies, an iron ore property near Nakina in Northwestern Ontario was purchased recently for \$10 million. No decision has been made as to when this property may be brought into production.

At Calgary, a new hollow structural steel mill was completed by Prudential Steel. This mill will supply product for use in the mobile home, farm equipment and construction industries.

Mines

The strike at the Scully Mine at Wabush continues. As a result, we have purchased iron ore pellets from other sources in order to maintain an adequate supply.

Financing

In May, a major financing in the form of a \$60,000,000 issue of 20 year, 10 $\frac{7}{8}$ % debentures was completed.

Outlook

A recent increase in incoming orders assures reasonably good operations through September. Shipments during the fourth quarter will depend on the pace of economic recovery. Demand is not expected to match the record levels experienced in late 1974.

Prospects for the foundry business and for National Steel Car and Prudential Steel are good.

Statement of Changes in Financial Position

The following figures summarize, on a consolidated basis, Dofasco's changes in financial position for the six-month period ended June 30th in each of the years 1975 and 1974.

	<i>Six Months Ended June 30</i>	
	<i>1975</i>	<i>1974</i>
	<i>(dollars in thousands)</i>	
SOURCE OF FUNDS:		
Operations (consisting of net income, depreciation and deferred income taxes)	\$ 58,700	\$ 56,200
Common shares issued	—	200
Proceeds from debenture issues (net)	59,100	49,200
	<u>\$117,800</u>	<u>\$105,600</u>
USE OF FUNDS:		
New facilities	\$ 72,700	\$ 34,400
Reduction in long term debt	700	3,000
Dividends	11,800	9,900
Preferred shares purchased for cancellation	—	200
Net increase in other assets	1,200	1,400
	<u>\$ 86,400</u>	<u>\$ 48,900</u>
INCREASE IN WORKING CAPITAL	<u>\$ 31,400</u>	<u>\$ 56,700</u>
WORKING CAPITAL AT JUNE 30	<u>\$191,500</u>	<u>\$163,900</u>

On behalf of the Board:

R. R. CRAIG, *Director*

J. G. SHEPPARD, *Director*

July 31, 1975

AR39

Quarterly Report
to
Shareholders

*For the Period Ended
June 30, 1978*



File
DOMINION FOUNDRIES
AND STEEL, LIMITED
HAMILTON, ONTARIO

Quarterly Report

To the Shareholders of Dominion Foundries and Steel, Limited:

Summarized below are Dofasco's unaudited consolidated results for the second quarter and for the first six months of 1978, with comparative figures for the same periods last year (dollars in thousands):

	<i>Three Months Ended June 30</i>		<i>Six Months Ended June 30</i>	
	<i>1978</i>	<i>Restated* 1977</i>	<i>1978</i>	<i>Restated* 1977</i>
Production of ingots and castings (net tons) . . .	813,300	851,600	1,641,400	1,685,000
Shipments of flat rolled products and steel castings (net tons)	699,700	694,000	1,389,200	1,344,200
Sales	\$265,900	\$241,700	\$514,100	\$455,400
Depreciation	11,900	12,300	23,800	23,300
Income before income taxes	31,200	22,400	56,100	42,000
Income taxes	9,400	5,200	15,000	10,500
Net income	21,800	17,200	41,100	31,500
Preferred dividends declared for the period	2,300	300	4,500	500
Net income after preferred dividends	19,500	16,900	36,600	31,000
Net income per common share (after preferred dividends)	\$1.24	\$1.08	\$2.32	\$1.97

*During 1977, the Company changed its method of accounting for two joint ventures from the equity method to the proportionate consolidation method. The 1977 figures have been restated to give effect to this change which did not affect net income.

Operations

Shipments of flat rolled products during the second quarter continued at the same high level experienced in the first quarter. All products were in strong demand, led by the automotive, pipe and tube, and some agricultural market sectors. To satisfy domestic demand and customer needs, the proportion of export sales to total sales was reduced compared to the same period last year.

Operations resumed May 29, 1978, at National Steel Car after a prolonged strike. Prudential Steel, Beachvilime and Baycoat operations contributed to the improved overall performance in this quarter.

The labour situation affecting Wabush Mines is still somewhat unsettled, but an early resumption of production is expected. Purchases of iron ore pellets from other sources were arranged to cover the shortfall arising from the interruption of operations at Wabush.

Also new one year labour contracts have been signed at both the Sherman and Adams Mines in Northern Ontario. Labour negotiations at Beachvilime are continuing.

New Facilities

Capital expenditures for the first half of 1978 were \$80,300,000. On June 29 the first steel was produced from the second oxygen steelmaking plant and the start-up is proceeding very well. This is the largest facility brought into production at Dofasco. The new soaking pits for heating ingots have begun operating and the No. 3 coke oven battery is expected to come into production shortly.

Outlook

The outlook for the third quarter continues to be favourable with most flat rolled products remaining on allocation. While the demand from some market segments is expected to remain strong into the fourth quarter, there may be some subsequent weakening depending on general conditions in the industry.

The outlook for National Steel Car and Prudential Steel is very promising. While Foundry orders for miscellaneous castings are lower, demand for railway rolling stock will permit a high level of railway castings production for the remainder of the year.

Statement of Changes in Financial Position

	<i>Six Months Ended June 30</i>	
	<i>1978</i>	<i>Restated* 1977</i>
	<i>(dollars in thousands)</i>	
SOURCE OF FUNDS:		
Operations (consisting of net income, depreciation and income tax allocations relating to future years).....	\$ 77,900	\$ 66,500
Preferred shares issued.....	—	150,000
Increases in long term debt.....	2,100	75,200
	<u>\$ 80,000</u>	<u>\$291,700</u>
USE OF FUNDS:		
New facilities.....	\$ 80,300	\$ 71,400
Reduction in long term debt.....	4,900	3,900
Dividends.....	17,100	12,700
Other changes.....	(200)	300
	<u>\$102,100</u>	<u>\$ 88,300</u>
INCREASE (DECREASE) IN WORKING CAPITAL.....	<u>\$(22,100)</u>	<u>\$203,400</u>
WORKING CAPITAL AT JUNE 30.....	<u>\$394,600</u>	<u>\$456,300</u>

